

D.T.E. 00-76

Investigation by the Department on its own motion as to the propriety of the rates and charges set forth in the following tariff: M.D.T.E. No. 9, filed by Sheffield Water Company on September 28, 2000, and suspended for further investigation.

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APPEARANCES: Dana A. Bartholomew, President

Sheffield Water Company

1081 South Undermountain Road

Sheffield, Massachusetts 01257

Petitioner

Kevin F. Penders, Esq.

Department of Telecommunications and Energy

One South Station

Boston, Massachusetts 02110

FOR: SETTLEMENT INTERVENTION STAFF

Intervenor

## I. INTRODUCTION

On September 28, 2000, pursuant to G.L. c. 164, § 94 and G.L. c. 165, § 2, Sheffield Water Company ("Sheffield" or "Company") filed a petition with the Department of Telecommunications and Energy ("Department") for new rates and tariffs designed to collect

additional annual revenues in the amount of \$76,009. The Company's proposal represented a 78.54 percent increase over the rates currently in effect.<sup>(1)</sup> By Order dated September 29, 2000, the Department suspended the effective date of the proposed tariffs until July 1, 2001, in order to investigate the propriety of the rates sought by the Company. On November 28, 2000, the Department appointed Settlement Intervention Staff ("SIS") to act as a full intervenor in the proceeding in order to promote negotiations and effect a settlement, if feasible.<sup>(2)</sup> The Department conducted a public hearing in the Town of Sheffield on November 30, 2000 to afford interested persons an opportunity to be heard. Several members from the public attended the public hearing. On that date, representatives of the Company and SIS (collectively, the "Parties"), and the Department conducted a site visit of the Company's facilities. Several rounds of discovery were issued. On April 18, 2001, SIS, on behalf of the Parties, submitted a Joint Motion for Approval of Offer of Settlement ("Settlement") with an expiration date of May 15, 2001.

## II. PROPOSED SETTLEMENT

By its terms, the Settlement filed by the Parties with the Department on April 18, 2001

is intended to resolve all issues in D.T.E. 00-76 and is expressly conditioned upon the Department's acceptance of all provisions therein, without change or condition, by

May 15, 2001 (Settlement at 4). The key provisions of the proposed Settlement are as follows.

First, Article 2.2 of the Settlement specifies that the additional annual revenues shall be \$69,237, representing an increase of 71.55 percent over rates in effect on July 1, 1992

(id. at 2). The overall rate of return on rate base shall be 11.04 percent, based on a return on common equity of 12.5 percent, and a capital structure consisting of 46.78 percent long-term debt and 53.22 percent common equity (id.).

Second, Article 2.4 of the Settlement represents that the Parties effected the decrease in revenue requirements from the amount originally proposed by: (1) decreasing the initially-proposed base quarterly charge for metered service, maintaining the volumetric rates as originally filed; and (2) an across-the-board decrease in the initially-proposed fixture charges, taking into account administrative efficiency in apportioning the revenue increase among the various fixture charges (id. at 3).

Third, Article 2.5 of the Settlement provides for both unmetered fixture-based rates and metered service (id.). The Settlement notes that, as customers are converted to metered service, the fixture rate revenues will decline to zero with all customers ultimately being served on the metered rate schedule, with the exception of public fire protection

customers (id.). Further, Article 2.5 of the Settlement explains that it is the Parties' intent to ensure that, over the long-term, a revenue-neutral transition to metered service is ultimately achieved (id.).

## III. STANDARD OF REVIEW

The Department instituted the settlement intervention process to reduce administrative costs incurred by small water companies and their ratepayers in adjudicating rate cases. East Northfield Water Company, D.T.E. 98-127, at 3 (1999). In assessing the reasonableness of the settlement, the Department must review the entire record presented in the Company's filing and other record evidence to ensure that the settlement is consistent with Department precedent and the public interest. See Western Massachusetts Electric Company, D.P.U. 92-13, at 7 (1992); Barnstable Water Company, D.P.U. 91-189, at 4 (1992); Cambridge Electric Light Company, D.P.U. 89-109, at 5 (1989); Eastern Edison Company, D.P.U. 88-100, at 9 (1989).

#### IV. ANALYSIS AND FINDINGS

Based on the Department's review of the record in this proceeding, the Department finds that the Settlement submitted by the Parties results in just and reasonable rates and is consistent with Department precedent and the public interest.<sup>(3)</sup> The Department finds that the Settlement includes a rate structure that balances the competing goals of allocating costs while maintaining rate continuity. Milford Water Company, D.T.E. 98-112, at 4 (1999); Boston Gas Company, D.P.U., 96-50-A, at 4 (1996); Whitinsville Water Company, D.P.U., 96-111, at 6 (1997). In addition, the Department finds that the Settlement includes a rate structure that ensures a revenue-neutral transition to metered service. Therefore, the Department approves the Settlement; however, the Department's acceptance of this Settlement does not constitute a determination as to the merits of any allegations, contentions, or arguments made in this proceeding. Moreover, the Department's acceptance of this Settlement does not set a precedent for future filings whether ultimately settled or adjudicated.

#### V. ORDER

After due notice, hearing, and consideration, it is

ORDERED: That the Joint Motion for Approval of Offer of Settlement, as filed by Sheffield Water Company and Settlement Intervention Staff, is hereby GRANTED; and it is

FURTHER ORDERED: That Sheffield Water Company's tariffs as set forth in the September 28, 2000 filing are rejected; and it is

FURTHER ORDERED: That Sheffield Water Company's existing tariff, M.D.P.U. No. 8, be

replaced by M.D.T.E. No. 10, the tariff attached to the Settlement, to become effective May 15, 2001.

By Order of the Department,

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James Connelly, Chairman

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W. Robert Keating, Commissioner

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Paul B. Vasington, Commissioner

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Eugene J. Sullivan, Jr. Commissioner

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Deirdre K. Manning, Commissioner

Appeal as to matters of law from any final decision, order or ruling of the Commission may be taken to the Supreme Judicial Court by an aggrieved party in interest by the filing of a written petition praying that the Order of the Commission be modified or set aside in whole or in part.

Such petition for appeal shall be filed with the Secretary of the Commission within twenty days after the date of service of the decision, order or ruling of the Commission, or within such further time as the Commission may allow upon request filed prior to the expiration of twenty days after the date of service of said decision, order or ruling. Within ten days after such petition has been filed, the appealing party shall enter the appeal in the Supreme Judicial Court sitting in Suffolk County by filing a copy thereof with the Clerk of said Court. (Sec. 5, Chapter 25, G.L. Ter. Ed., as most recently amended by Chapter 485 of the Acts of 1971).

1. The Department last granted Sheffield a rate increase in 1992. Sheffield Water Company, D.P.U. 91-270 (1992).

2. The Department established the SIS process by memorandum dated June 4, 1990, in order to promote negotiated settlements and to formalize institutional representation of rate payers in water company proceedings.

3. The Department grants the Parties' request to move into the record the Company's initial filing and responses to all information requests provided during this proceeding. In addition, the Department has taken administrative notice of the Company's Annual Water Return to the Department for the year 1999, and the evidentiary record in

Sheffield Water Company, D.T.E. 00-75. 220 C.M.R. § 1.10(3).